

Minutes of the Centerville City Council **work session** held Tuesday, May 21, 2013 at 5:00 p.m. in the Centerville City Council Chambers, 250 North Main Street, Centerville, Utah.

MEMBERS PRESENT

Mayor Ronald G. Russell

Council Members Justin Y. Allen
Ken Averett
John T. Higginson
Sherri Lyn Lindstrom
Lawrence Wright

STAFF PRESENT

Steve Thacker, City Manager
Blaine Lutz, Finance Director/Assistant City Manager
Katie Rust, Recording Secretary

FY 2013-2014 BUDGET WORK SESSION

The City Council has examined the possibility of increasing property taxes for the purpose of funding much needed streets maintenance. Mayor Russell stated the Legislature may address the gas tax issue during the next legislative session in a way that would provide additional funding for roads. The Mayor suggested it would make sense to wait and see what the Legislature does before acting on a property tax increase. Councilmen Higginson and Wright indicated support for the Mayor's suggestion. Steve Thacker, City Manager, feels that even if the Council does not proceed with a property tax increase at this time, the public should be informed that the need for additional streets funding exists, and that a property tax increase may be considered again in the future if other options have not become available. Several funding changes may occur in the future that would increase the amount available to the City to fund services, including changes with UTOPIA and internet sales tax. Mr. Thacker pointed out that the buying power of property tax income has reduced in part because of increasing Fire Agency assessment fees. Councilman Wright stated he would like to see changes instituted with the fire department, including a readiness rating and budget forecasts. He would like to see an equipment list and know the status of their equipment. Mayor Russell reminded the Council that the fire services assessment is subject to the County's reassessment of property values each year. The Fire Agency has a calendar year budget cycle and the City has a fiscal year budget cycle, which means assessment increases are added to the City budget mid-fiscal year. Councilman Allen feels it would be reasonable to request the Fire Agency provide more reporting information to the Council.

EMPLOYEE COMPENSATION AND BENEFITS

Retirement Contributions – Mandatory retirement contributions will increase from 16.04% to 17.29% for non-police employees, and from 30.35% to 32.14% for public-safety employees.

Employee Health Insurance – The cost of continuing health insurance coverage with the current carrier, Select Health, without any changes to the benefits plan, would increase 7.3%. Mr. Thacker does not feel the City should bear the full burden of the increase, and has negotiated changes to the plan to reduce the effect on the budget. Deductibles will increase from \$500 per individual to \$750 (\$1500 per family), but the out-of-pocket maximums will not

1 change. Small changes were also made to the prescription coverage. The changes leave the
2 City with a 3.15% increase. Councilman Higginson asked if it would be possible to join with
3 other cities to negotiate better rates with insurance companies. Mr. Thacker responded that
4 combining and self-insuring was considered in the past, but was not seen as beneficial. Blaine
5 Lutz agreed to ask the City's insurance broker if there would be a benefit to combining with
6 another city to negotiate with Select Health. In his own business Councilman Averett found it
7 beneficial to have an individual policy for each participant to keep the average age and the
8 premiums down. The Employee Association has indicated to Mr. Thacker that they prefer the
9 change in the deductible and prescription coverage over an increase in the employee's
10 percentage share of the premium (i.e., they prefer to keep the employee's share at 10%).
11 Councilman Wright feels the insurance changes are fine. Mayor Russell explained a request
12 from one or more employees that the City add a domestic partner rider to the insurance plan.
13 The additional cost to the City would be negligible, and implementing the rider would not cause
14 the City to be re-rated. The Council indicated approval for the addition. Staff will have the
15 option added to the insurance plan.

16
17 **Salary Administration Guidelines** – City Manager Thacker explained the approach
18 taken by the City regarding salaries. He feels the insurance benefit offered by the City is
19 average in comparison to other cities, but feels that salaries should remain somewhat higher
20 than average for recruiting and retention. Mr. Thacker recommends adjusting pay ranges by
21 1.5% to approximate the seventy-fifth percentile compared to other cities and remain
22 competitive. A survey of nearly 40 Utah cities indicated an anticipated average employee salary
23 increase of 2.5% for fiscal year 2014. Councilman Wright stated he would like to see a freeze
24 on salaries within the City. He is aware that other public agencies have had a freeze on salaries
25 for several years, and feels there are several issues that should be resolved before raises are
26 considered. Mr. Thacker expressed concern about the message a salary freeze would send to
27 the employees. Councilman Wright does not like the idea of giving raises with the General
28 Fund balance at 14%. He thinks if employees leave, they leave, and believes there are
29 probably ten people equally qualified wanting to step in and take their jobs. Mr. Thacker
30 reminded the Council of the training expense involved with employee turnover. He also
31 reminded them that years ago the City Council set a goal to keep Centerville City employee
32 salaries above the average. Councilman Wright feels making decisions now based on that
33 previous goal is faulty logic. Steve Thacker feels it is important to attract and retain a good
34 workforce. Councilman Wright feels they could explain that the City wants to keep its
35 employees, but based on financial obligations there will not be raises this year. Benefits will still
36 be provided, just no pay raises. Mr. Thacker feels it is important to the City that employees
37 perceive they are well treated and that their services are valued.

38
39 A 3% salary increase has been included in the proposed budget - 2.5% (\$84,000) for
40 merit increases, and 0.5% (\$16,000) for department heads to use to reward extraordinary
41 performance. Councilman Averett stated he struggles with the cost-of-living adjustment every
42 year. He is shocked and amazed that the City has been able to continue giving raises with the
43 economic climate in the last several years. He is glad we've been able to do that. Councilman
44 Averett pointed out that City retirement contributions are significantly higher than in the private
45 sector. Most people in the private sector have not continued to receive raises. He is not
46 necessarily in favor of a freeze, but thinks it needs to be seriously looked at. In the current
47 budget it would be hard for him to approve any increase of that nature. Mayor Russell pointed
48 out that since 2008, the raises given by the City have been minimal. The Mayor expressed he
49 is sympathetic to what Councilmen Averett and Wright have said. It is hard to compare the
50 public sector to the private sector because of the differences involved. It is the Mayor's opinion

1 that City police officers and other employees are not paid enough anyway, and it seems
2 counterproductive to deny them the 2.5% increase. The increase is a small percentage of the
3 overall budget, but has a significant effect on the employees. Mayor Russell wants to have
4 good people who are happy working here. He does not like the idea of saying a raise isn't
5 possible because of any one obligation or commitment made in the past. There are sufficient
6 funds in the proposed budget for a modest pay increase that is consistent or lower than what
7 other public agencies are doing. He thinks it would be short-sighted and unfair to the
8 employees to withhold an increase. Councilman Wright does not have a problem with keeping
9 the 0.5% to reward performance, but thinks it is time to say no to a pay increase. The City is not
10 taking anything away from the employees. With infrastructure issues to address, Councilman
11 Wright thinks a freeze is necessary for a year, to be re-examined next year. Councilman Wright
12 expressed concern to City Manager Thacker that he read something regarding a property tax
13 increase in the newspaper before the Council was given the information. Mr. Thacker
14 responded that the response printed in the paper should be taken in the context of the question
15 asked. Councilman Wright expressed disapproval that UTOPIA was listed as an obligation in
16 the proposed budget. He feels the Council has requested it not be listed as an obligation.
17 Mayor Russell stated that Mr. Thacker, as the budget officer, is responsible for putting together
18 a recommended budget that the Council may or may not accept.
19

20 Councilman Higginson pointed out that, with the changes in health insurance coverage,
21 a salary freeze would essentially result in a pay-cut for many employees. Councilwoman
22 Lindstrom stated she would not be comfortable with an increase higher than 3%, and would not
23 want a salary freeze, but would want to stay conservative. Councilman Higginson stated he
24 would be against any increases if the Council were still considering a property tax increase. He
25 is not in favor of a freeze, and feels that some increase is important for motivation. Councilman
26 Wright responded that there are other ways to reward employees. Councilman Allen feels a
27 total freeze is the wrong message to send. He is interested in seeing what other Utah cities
28 have done in the last few years. Councilman Wright feels it is more important to look internally
29 at the City's needs and what is available.
30

31 **Long-term Sick Leave** – Mr. Thacker explained the current policy regarding accruing
32 and cashing-in long-term sick leave. He suggested the Council discuss and consider changes
33 to the policy sometime in the future.
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35 **UTOPIA OPERATING ASSESSMENT**

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37 Councilman Allen expressed a desire to hear City Attorney Lisa Romney's evaluation of
38 the City's obligations with regards to UTOPIA prior to making any decisions. Councilman
39 Averett agreed with the suggestion. This topic will be further discussed at the next budget work
40 session.
41

42 **BUDGET NEWSLETTER**

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44 The Council reviewed a draft of a budget newsletter to be included in the next utility bill.
45 Mayor Russell recommended leaving out reference to a possible property tax increase since the
46 Council has decided not to implement an increase at this time. Councilman Higginson
47 suggested the newsletter indicate that a need exists, and that the City is making due at this time
48 without a property tax increase. Mr. Thacker will draft a statement indicating that possible
49 revenue sources for services may occur in the next year or two. If they do not occur, the
50 Council may consider an increase in property taxes in the coming years.
51

ADJOURNMENT

The work session was adjourned at 6:51 p.m.

Marsha L. Morrow, City Recorder

Date Approved

Katie Rust, Recording Secretary